

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

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FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 4340

INFO AMEMBASSY BONN

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C O N F I D E N T I A L KUWAIT 5367

E.O. 11652: GDS

TAGS: EFIN, EAID, KU, GW

SUBJECT: KUWAIT INVESTMENT IN WEST GERMANY

REF: (A) KUWAIT 4972 (B) BONN 19271

1. DURING RECENT SOCIAL ENGAGEMENT EMBOFF HAD OPPORTUNITY DISCUSS VISIT TO KUWAIT OF GERMAN ECONOMICS MINISTER FRIDERICH WITH GERMAN AMBASSADOR TO KUWAIT DR. KOHSE. IN GENERAL AMBASSADOR LOHSE REITERATED POINTS REPORTED REFTELS INCLUDING FACT THAT KUWAITIS RAISED MATTER OF TAXES ON INVESTMENTS IN FRG WHICH CONTRASTED WITH LACK OF TAXES (BY SPECIAL AGREEMENT) IN UK AND FRANCE AND (AS RESULT GENERAL POLICY OF NOT TAXING FOREIGN GOVERNMENTS) IN US.

2. AMBASSADOR LOHSE SAID THAT DURING CONVERSATIONS WITH FINANCE MINISTER ATEEQI, GERMANS WERE TOLD THAT CURRENTLY GOK HAS ABOUT \$1 BILLION INVESTED IN WEST GERMANY. APPROXIMATELY 40 PERCENT OF TOTAL REPRESENTED BY GOK SHARE OF DAIMLER-CONFIDENTIAL

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BENZ. SOME OTHER EQUITY POSITIONS HAVE BEEN TAKEN BUT

CURRENT GOK POLICY IS TO LIMIT OWNERSHIP IN ANY ONE COMPANY TO 10 PERCENT OR LESS. MOST OF REMAINING INVESTMENTS CONSIST OF BANK ACCOUNTS.

3. IN DISCUSSING KUWAITI INVESTMENT IN GERMANY, AMBASSADOR LOHSE NOTED THAT PRESENTLY FRG HAS NO LEGAL MEANS TO PREVENT FOREIGN INVESTMENT. WHEN EMBOFF ASKED HOW UNDESIRABLE FOREIGN INVESTMENT COULD BE PREVENTED, AMBASSADOR SAID, IN EFFECT, THAT FRG WOULD HAVE TO RELY ON MORAL SUASION. HE ADDED THAT AS OF NOW FRG WAS NOT RPT NOT SEEKING ADDITIONAL LEGISLATION TO LIMIT FOREIGN INVESTMENT IN GERMANY, EVEN IN DEFENSE INDUSTRIES. AS WE REPORTED IN REF A, HE SAID GERMAN EMBASSY HERE HAS NO INFORMATION TO CORROBORATE NOVEMBER 14 MIDDLE EAST ECONOMIC DIGEST STORY THAT GOK INVESTING IN AEG/TELEFUNKEN. HE SAID KUWAITIS HAD TOLD GERMAN OFFICIALS OF SEVERAL COMPANIES IN WHICH THEY HAVE INVESTED SINCE DAIMLER-BENZ DEAL, BUT AEG/TELEFUNKEN WAS NOT MENTIONED.

4. COMMENT: FOR SEVERAL YEARS WE HAVE HAD IMPRESSION THAT GOK WOULD LIKE TO INVEST RELATIVELY HEAVILY IN GERMANY, BUT VARIOUS GERMAN LAWS, REGULATIONS AND/OR POLICIES PREVENTED THEM FROM DOING SO. APPARENTLY TAX SITUATION DIMINISHES FINANCIAL ATTRACTIVENESS OF INVESTING IN GERMANY, BUT AMBASSADOR LOHSE'S REMARKS SUGGEST THAT THERE ARE VIRTUALLY NO LAWS HINDERING INVESTMENT. ON BALANCE GOK CAN BE EXPECTED TO CONTINUE TO ADD SUBSTANTIALLY TO ITS TOTAL HOLDING OF WEST GERMAN ASSETS BUT IT WILL DO SO AS UNOBTRUSIVELY AS POSSIBLE. STOLTZFUS

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